JCHC Report: Catastrophic Health Insurance (HJR 99 – 2010)

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House Joint Resolution 99, introduced by Delegate Christopher P. Stolle in 2010, directed JCHC to:

> "(1) determine the availability and usage of catastrophic health insurance policies in the Commonwealth, (2) examine the results of efforts in other states to increase the use of catastrophic health insurance policies, and (3) evaluate the potential benefits and risks of facilitating the offering within the Commonwealth of health insurance policies or plans that provide catastrophic coverage only."

Background

Catastrophic health insurance policies financially protect individuals from responsibility for high health care expenses while leaving the policy holder fully responsible for a predetermined amount of initial medical expenses. The most common type of catastrophic health insurance is the high-deductible health plan (HDHP). HDHPs are typically less expensive than traditional health insurance. The Internal Revenue Service allows the policy holder of a HDHP that meets certain standards (known as a "qualified-HDHP") to fund an associated health savings account (HSA). Similarly, an employer may fund a health reimbursement account (HRA) that is associated with an employee's HDHP. These accounts are used to pay for medical expenses with pre-tax funds the enrollee or the employer contributes. A number of individuals, who choose an HDHP for the lower premiums, do not have an HSA or HRA.

Findings

Research indicates that when insurance plans are structured so that the consumer has more cost-sharing requirements, such as HDHPs, those consumers become more cost-conscious and appropriate and inappropriate medical care is avoided. While providing positive benefits to some individuals, research also indicates that low-income and moderately sick individuals often have poorer health outcomes in high-cost sharing plans like HDHPs when compared to traditional health insurance coverage.

In 2008, 114,700 individuals were covered by qualified HDHPs in Virginia, an increase from 50,100 individuals in 2006.

Steps Taken to Encourage HDHP Adoption. Virginia has taken four of the five most common steps taken by state governments to encourage HDHP adoption.

Virginia's Efforts	Other States' Efforts Promoting HDHPs
2004	*Financial:* No state tax on HSA contributions
2005	*Insurance Market:* Allow HDHPs to be used in conjunction with a HSA and Medical Savings Accounts to convert to a HSA
2005	*Availability:* Mandate state employee health plan offer HDHP
2008	*Transparency:* Publicly available aggregate cost information for at least 25 common procedures
	Transparency: Publicly available specific cost and quality information by provider and facility for selected procedures

Maine, Massachusetts, Minnesota, New Hampshire, and New York have enacted legislation to provide greater transparency of cost and quality information. These states have made available specific out-of-pocket cost estimates for procedures by specific provider or facility for uninsured and insured consumers. In addition, these cost-to-consumer estimates may be refined by consumer location, distance willing to travel, insurer, type of insurance product, plan deductible, and level of coinsurance. This information allows consumers to gauge more accurately out-of-pocket costs for procedures.

Approved Policy Option

Include in the JCHC 2011 work plan, a staff study to review (i) other states' efforts to publicly disseminate expansive cost and quality information by specific facility and provider for selected medical procedures; and (ii) legal, financial, data and other requirements for Virginia Health Information to provide similar specific cost and quality information through an All-Payer Claims Database in order to improve quality and health outcomes.

In addition, by letter of the JCHC Chairman, request that Virginia Health Information, the Virginia Association of Health Plans, the Medical Society of Virginia, and the Virginia Hospital and Healthcare Association provide assistance. A report to JCHC will be due by November 2011.